

AMENDED IN SENATE JULY 7, 1998
AMENDED IN ASSEMBLY APRIL 2, 1998

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 1986

Introduced by Assembly Member Keeley

February 17, 1998

An act relating to the Pajaro River Watershed Flood Prevention Authority.

LEGISLATIVE COUNSEL'S DIGEST

AB 1986, as amended, Keeley. Pajaro River Watershed Flood Prevention Authority Act.

(1) Existing law authorizes specified entities to provide flood control benefits.

This bill would enact the Pajaro River Watershed Flood Prevention Authority Act, which would grant specified powers to the Pajaro River Watershed Flood Prevention Authority, as created by a specified joint powers agreement. The bill would require specified local agencies within the Pajaro River Watershed, and authorize the City of Watsonville, to enter into a joint powers agreement that is subject to the provisions of the bill, thereby imposing a state-mandated local program on those specified local agencies. The bill would require the membership, boundaries, purposes, and governance of the authority to be set forth in that agreement. The bill would ~~declare that it is the intent of the Legislature that~~ *require* the authority to consist of

specified public agencies, and other local agencies that are designated by the authority,~~—and. In addition, the bill would declare that it is the intent of the Legislature that one representative of a geographic area within the Pajaro River Watershed from each of the participating agencies serve on the board of the authority.~~ The bill would authorize the authority to undertake flood prevention and control projects within the boundaries of the Pajaro River Watershed, as prescribed. The bill would authorize the authority to levy and collect assessments ~~and~~ and special taxes and to sell bonds in accordance with prescribed procedures. The bill would define terms and prescribe related matters.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature hereby finds and
2 declares all of the following:
3 (a) The Pajaro River Watershed consists of more than
4 1,400 square miles of land. Much of the watershed is prime
5 agricultural and rangeland, providing a strong base for
6 the region's economy. Much of the land within the
7 watershed provides housing, employment, recreation,
8 and education opportunities for central coast residents
9 and visitors from throughout the state, nation, and world.
10 (b) The Pajaro River Watershed includes portions of
11 San Benito, Santa Clara, Santa Cruz, and Monterey

1 Counties, and each of those counties is concerned about
2 the ability of its communities to sustain a high quality of
3 life with regard to agriculture, housing, commerce,
4 education, and environmental protection.

5 (c) The Pajaro River Watershed includes numerous
6 streams, creeks, rivers, wetlands, and estuaries that form
7 the natural drainage system that directs rainwater to the
8 ocean. The Pajaro River Watershed also includes
9 numerous manmade water collection, drainage, and
10 water disposal projects and systems that also direct
11 rainwater to the ocean.

12 (d) The Pajaro River Watershed includes millions of
13 square feet of impervious surfaces, such as roads, parking
14 lots, homes, commercial and agricultural structures,
15 schools and playgrounds, all of which reduce the amount
16 of natural groundwater recharge that would otherwise be
17 available to reduce rainwater runoff.

18 (e) The Pajaro River Watershed includes flood control
19 structures, such as the Pajaro River levee system, that
20 were designed and constructed, in most cases, nearly 50
21 years ago. Those flood control structures are now proving
22 to be inadequate to protect the area's agricultural lands,
23 commercial, residential, and public sector buildings, and
24 environmental resources.

25 (f) The storms in the 1980's and 1990's have
26 demonstrated that no jurisdiction within the Pajaro River
27 Watershed has fully mitigated the impact of new
28 construction on the existing drainage and flood control
29 system.

30 (g) The lack of a local, intergovernmental,
31 cooperative governance structure for the Pajaro River
32 Watershed prevents a systematic, rational, cost-effective
33 program of flood control and watershed management
34 from being identified, funded, and implemented.

35 (h) It is the intent of the Legislature, through the
36 enactment of this act, to provide the leadership necessary
37 to enable the local governments and local residents of the
38 Pajaro River Watershed to exercise appropriate powers
39 to ensure that the human, economic, and environmental
40 resources of the watershed are preserved, protected, and

1 enhanced in terms of watershed management and flood
2 protection.

3 SEC. 2. This section shall be known and may be cited
4 as the Pajaro River Watershed Flood Prevention
5 Authority Act. It is intended to supplement the Water
6 Code and reads as follows:

7
8 PAJARO RIVER WATERSHED FLOOD
9 PREVENTION AUTHORITY ACT

10
11 PART 1. INTRODUCTORY PROVISIONS

12
13 CHAPTER 1. SHORT TITLE

14
15 101. This act shall be known and may be cited as the
16 Pajaro River Watershed Flood Prevention Authority Act.

17
18 CHAPTER 2. GENERAL PROVISIONS

19
20 201. (a) The need for coordinated planning, and the
21 implementation of strategies, for flood prevention and
22 control within the Pajaro River Watershed, and for the
23 protection of public and private property from those
24 waters may appropriately lead to the creation of the
25 Pajaro River Watershed Flood Prevention Authority.

26 (b) The purpose of the Pajaro River Watershed Flood
27 Prevention Authority is to identify, evaluate, fund, and
28 implement flood prevention and control strategies in the
29 Pajaro River Watershed, on an intergovernmental,
30 cooperative basis.

31
32 CHAPTER 3. DEFINITIONS

33
34 301. “Agreement” means the joint powers agreement
35 under which the Pajaro River Watershed Flood
36 Prevention Authority is formed, and any subsequent
37 amendments to it.

38 302. “Authority” means the Pajaro River Watershed
39 Flood Prevention Authority.

1 303. "Board" means the board of directors of the
2 authority, as established pursuant to the agreement.

3 304. "Incidental expenses" includes all of the
4 following:

5 (a) The cost of planning and designing projects
6 pursuant to this act, including the costs of environmental
7 evaluations and mitigation for those projects.

8 (b) The costs associated with the creation and
9 administration of any financing arrangement authorized
10 by this act, including, but not limited to, the costs of
11 creating or modifying assessment or special tax districts,
12 the costs of collecting assessments and special taxes, and
13 costs arising from the issuance and administration of any
14 bonds issued under this act.

15 (c) Any other expenses incidental to the construction,
16 completion, inspection, financing, or refinancing of any
17 authorized project, including relocation costs.

18 305. "Local agency" means any local public entity.

19 306. "Pajaro River Watershed" means the watershed
20 area of the Pajaro River and its tributaries as described in
21 the General Map of the Pajaro River Basin (Plate 1), U.S.
22 Army Corps of Engineers' "Interim Report for Flood
23 Control, Pajaro River Basin, California and Appendices,"
24 dated June 1963.

25 307. "Project" means the acquisition, construction,
26 maintenance, or operation of any flood control or
27 prevention facility authorized under the agreement and
28 not inconsistent with this act, including, but not limited
29 to, the acquisition of any right-of-way and payment of
30 incidental expenses. Participation in a project includes
31 making payments or other contributions pursuant to any
32 contract entered into with another governmental agency
33 that requires the other governmental agency to perform
34 work on a project.

35

PART 2. ORGANIZATION AND POWERS

CHAPTER 1. MEMBERSHIP, BOUNDARIES, AND GENERAL
POWERS

401. (a) (1) Except as specified in paragraph (2), the local agencies within the Pajaro River Watershed listed in Section 401.5 shall enter into a joint powers agreement, pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code, that is subject to this act.

(2) The City of Watsonville may enter into the joint powers agreement described in paragraph (1).

(b) The membership, boundaries, purposes, and governance of the authority shall be set forth in the agreement. The agreement may be amended in accordance with the provisions of the agreement as initially signed or subsequently amended by its members. Neither the agreement, nor any amendments to the agreement, may conflict with this act.

401.5. (a) The authority shall include all of the following agencies having jurisdiction in any part of the Pajaro River Watershed:

(1) Monterey County.

(2) San Benito County.

(3) Santa Clara County.

(4) Santa Cruz County.

(5) The Zone 7 Flood Control District.

(6) The Monterey County Water Resources Agency.

(7) The San Benito County Water District.

(8) The Santa Clara Valley Water District.

(9) Other local agencies that are designated by the authority in the agreement.

(b) It is the intent of the Legislature that one representative of a geographic area within the Pajaro River Watershed from each of the participating agencies, including county representatives who represent districts that include part of the Pajaro River Watershed, serve on the board.

1 (c) Notwithstanding subdivision (b), the composition
2 of the board of the authority shall be determined by the
3 agreement.

4 402. The authority may undertake flood prevention
5 and control projects within the boundaries of the Pajaro
6 River Watershed.

7 403. Notwithstanding the purposes specified in the
8 agreement, the authority shall address the protection of
9 life, public and private property, agricultural crops,
10 watercourses, watersheds, environmental resources, and
11 public highways within its boundaries from damage from
12 flood and storm waters. In addition, to the maximum
13 extent economically feasible and consistent with its flood
14 protection and flood management requirements and
15 with state and federal agreements, the authority shall
16 carry out its responsibilities in ways which provide for the
17 optimum protection of the natural environment,
18 especially riparian habitat and natural stream channels
19 suitable for native plant and wildlife habitat and public
20 recreation. Nothing in this act is intended to amend,
21 modify, or alter the provisions of the California
22 Environmental Quality Act (Division 13 (commencing
23 with Section 21000) of the Public Resources Code) or any
24 other state or federal laws whose purpose is to protect and
25 preserve the natural environment.

26 404. The authority, in furtherance of the purposes set
27 out in Section 403, may apply for state and federal flood
28 control funding.

29 405. The authority may assess each member agency
30 an amount sufficient to fund administrative costs
31 associated with the operation of the authority, including,
32 but not limited to, the costs of meeting notices, agendas,
33 and other administrative functions.

34 406. The powers conferred by this act are in addition
35 to the powers of the local agencies, and in no way
36 regulate, usurp, or otherwise abridge the powers of those
37 agencies. However, the local agencies within the Pajaro
38 River Watershed shall notify all other local agencies in
39 that watershed and the authority prior to undertaking
40 flood control projects within the Pajaro River Watershed.

PART 3. FINANCIAL PROVISIONS

CHAPTER 1. GENERAL FINANCIAL PROVISIONS

501. The authority may, in any year, levy assessments, reassessments, or special taxes and issue bonds to finance projects in accordance with, and pursuant to, the Improvement Act of 1911 (Division 7 (commencing with Section 5000) of the Streets and Highways Code), the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500) of the Streets and Highways Code), the Municipal Improvement Act of 1913 (Division 12 (commencing with Section 10000) of the Streets and Highways Code), the Benefit Assessment Act of 1982 (Chapter 6.4 (commencing with Section 54703) of Part 1 of Division 2 of Title 5 of the Government Code), the Integrated Financing District Act (Chapter 1.5 (commencing with Section 53175) of Division 2 of Title 5 of the Government Code), the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code), and the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code).

502. Notwithstanding the provisions of any assessment act which the authority is authorized to use, any assessment diagram which any of those acts requires to be prepared prior to final approval of the authority need show only the boundaries of any assessment zones within the authority. The diagram may refer to the county assessor's maps and records for a detailed description of each lot or parcel.

503. (a) Notwithstanding any other provision of law, the authority may levy and collect assessments and reassessments in the same manner as provided in Article 3 (commencing with Section 51320) of Chapter 2 of Part 7 of Division 15 of the Water Code, for any or all of the following purposes:

1 (1) For the operation and maintenance of projects of
2 the authority.

3 (2) For the satisfaction of liabilities arising from
4 projects of the authority.

5 (3) For the administration costs of the authority.

6 (4) To accumulate a fund that may be used to advance
7 the cost of projects of the authority. However, the
8 advances shall be repaid, with interest as determined by
9 the board, from assessments, reassessments, special taxes,
10 or fees charged by the authority pursuant to this act.

11 (b) For purposes of this section, the board shall
12 perform all the functions assigned by Article 3
13 (commencing with Section 51320) of Chapter 2 of Part 7
14 of Division 15 of the Water Code to the board of
15 supervisors or the board of trustees.

16 (c) For purposes of this section, the board may order
17 the creation of a separate assessment roll to pay the
18 allowable expenses of any single project or any group or
19 system of projects.

20 (d) (1) Except as otherwise provided in paragraph
21 (2), to the extent practicable, the board shall expend
22 assessment revenues on projects within the boundaries of
23 any local agency within which those revenues were
24 collected, and a statement to this effect shall be set forth
25 in the agreement.

26 (2) Assessment revenues may be expended on
27 projects outside the boundaries of the local agency within
28 which the revenues were collected if all of the members
29 of the board that represent the local agency consent to
30 that expenditure.

31 (e) An assessment, reassessment, or special tax may be
32 imposed throughout the entire area of the authority, or
33 within a portion of the area of the authority that may, but
34 is not required to, include more than one county. No
35 assessment, reassessment, or special tax of the authority
36 may be imposed in any portion of a single county unless
37 the following conditions have been met:

38 (1) The board of supervisors of the county, and, if the
39 assessment, reassessment, or special tax is to be imposed
40 in Santa Clara County, the board of directors of the Santa

1 Clara Valley Water District, is a signatory to the
2 agreement and has adopted a written resolution that
3 authorizes the imposition of the assessment,
4 reassessment, or special tax.

5 (2) The imposition of the assessment, reassessment, or
6 special tax is in accordance with Articles XIII C and
7 XIII D of the California Constitution.

8 504. Notwithstanding any other provision of law,
9 Division 4 (commencing with Section 2800) of the Streets
10 and Highways Code does not apply to any assessment
11 levied by the authority.

12 505. (a) Notwithstanding any other provision of law,
13 all assessments, reassessments, and special taxes levied by
14 the authority may be collected together with, and not
15 separately from, taxes for county purposes. Any county
16 which is a member of the authority may collect, at the
17 request of the authority, all assessments, reassessments,
18 and special taxes levied by the authority and shall deposit
19 those revenues with the trustee appointed pursuant to
20 Section 801 to the credit of the authority.

21 (b) Each county may require that the amount to be
22 collected be increased to include a proportionate amount
23 of the county's reasonable collection and administrative
24 costs, not to exceed ten dollars (\$10) per installment for
25 each lot or parcel, as reimbursement for expenses
26 incurred by the county in collecting the assessment,
27 reassessment, or special tax, if that action is in accordance
28 with Articles XIII C and XIII D of the California
29 Constitution.

30 506. Notwithstanding any other provision of law, any
31 assessment or reassessment levied pursuant to this act
32 shall be apportioned on a reasonable basis, as determined
33 by the board, which may be based on land use category,
34 proportionate storm water runoff, relative hazard of
35 flooding, or infrastructure protection.

36 507. Notwithstanding any other provision of law, the
37 board may include within the authority's annual budget
38 a general unappropriated reserve fund not to exceed 25
39 percent of the total appropriations included in the
40 authority's budget, exclusive of all items for bond interest

1 and redemption, and the general appropriated reserve.
2 The reserve fund may be used for emergencies,
3 replacements, or other lawful purposes of the authority.

4
5 CHAPTER 2. SPECIAL CAPITAL ASSESSMENTS

6
7 Article 1. Formation of Districts

8
9 601. (a) As an alternative or in addition to any other
10 power available to the authority, the authority may, in
11 any year, levy and collect assessments and sell bonds
12 pursuant to this chapter for any project, if that action is
13 in accordance with Articles XIII C and XIII D of the
14 California Constitution. These assessments shall be levied
15 within any zone determined by the board to particularly
16 benefit from a given project. Assessment areas may
17 overlap.

18 (b) Subdivisions (d), (e), and (f) of Section 503 apply
19 to any assessment imposed for the purposes of this act.

20 602. Before undertaking any assessment pursuant to
21 this chapter, the authority shall adopt a resolution
22 declaring its intention to do so, briefly describing the
23 proposed project, specifying the exterior boundaries of
24 the area to be assessed, and providing for the issuance of
25 bonds, if any. The resolution shall briefly describe any
26 existing or intended contract with any other
27 governmental agency to share in financing or
28 performance of the work on the project. The resolution
29 shall also direct an officer of the authority to prepare a
30 report pursuant to Section 603.

31 603. The report shall include all of the following:

32 (a) A general description of the project.

33 (b) A name for the proposed assessment zone, which
34 may be in the form "Pajaro River Watershed Flood
35 Prevention Assessment Zone Number ____."

36 (c) An estimate of the cost of the project. If part of the
37 cost is expected to be paid from contributions from other
38 governmental agencies, the report shall include an
39 estimate of the expected total amount of those
40 contributions.

1 (d) A plan for financing the project, including a brief
2 description of the principal amount and maturities of any
3 proposed bonds, and of any reserve or other special funds
4 required. The plan shall include estimates of the annual
5 revenue needed to pay debt service on bonds and to pay
6 any other expenses arising in conjunction with the
7 project, including any amounts needed to replenish
8 reserve or other special funds.

9 (e) A specification of a method for annually
10 apportioning the estimated annual costs of the project
11 among the parcels in the area to be assessed, and a
12 method for determining the rate of assessment. The
13 apportionment shall be in proportion to the benefit
14 received by each parcel, as determined pursuant to
15 Section 506. The specification shall be in sufficient detail
16 to allow any property owner within the district to
17 determine the annual amount that he or she would have
18 to pay.

19 604. When the report is filed with the authority, the
20 board may at a public meeting, tentatively approve the
21 report and schedule a hearing on it not earlier than 30
22 days and not later than 90 days after the date on which the
23 report is tentatively approved. The hearing may be
24 continued for a period not to exceed six months. Notice
25 of the hearing shall be published pursuant to Section 6066
26 of the Government Code in a newspaper of general
27 circulation in the area proposed to be assessed, and the
28 first publication shall occur not later than 20 days before
29 the date of the hearing. The notice to be published shall
30 be entitled "Notice of Flood Prevention Assessment
31 Hearing" and shall include all of the following:

32 (a) The time and place of the hearing on the proposed
33 assessments and bonds.

34 (b) A general description of the proposed project and
35 the area proposed to be assessed.

36 (c) A statement that the authority is considering
37 levying annual assessments on lots or parcels of property
38 within the area of the proposed zone to pay for the
39 project.

1 (d) A statement, if applicable, that the authority is
2 considering issuing bonds to finance the local share of the
3 cost of the proposed project.

4 (e) The name and telephone number of an employee
5 of the authority from whom a copy of the report can be
6 obtained and who can answer questions concerning the
7 project and the hearing. The authority may charge the
8 reasonable costs of reproduction for copies of the report,
9 and shall make copies available for free public inspection
10 at one or more public places within the area proposed to
11 be assessed.

12 606. Upon voter approval in accordance with Articles
13 XIII C and XIII D of the California Constitution, if the
14 board determines to hold an election, and if the board
15 determines to proceed with the levy and collection of
16 assessments and, if applicable, the sale of bonds, it shall
17 adopt a resolution confirming the report, as modified, and
18 ordering the levy of the assessments and, if applicable, the
19 sale of bonds.

20 607. (a) Upon adopting a resolution pursuant to
21 Section 606, the authority shall record a notice of
22 assessment whereupon the assessment shall attach as a
23 lien on the property assessed.

24 (b) From the date of the recordation of the notice of
25 assessment, each special assessment levied under this
26 chapter is a lien on the land on which it is levied. This lien
27 is paramount to all other liens, except prior assessments
28 and taxation. Unless sooner discharged, the lien continues
29 for 10 years from the date of the recordation or, if bonds
30 are issued to represent the assessment, until four years
31 after the date on which the last installment on the bonds
32 or the last principal coupon attached to the bonds is due.
33 All persons have constructive notice of this lien from the
34 date of the recordation.

35
36 Article 2. Levy and Collection of Assessments
37

38 701. The validity of any assessment levied or bond
39 issued under this chapter shall not be contested in any
40 action or proceeding unless the action or proceeding is

1 commenced within ~~30 days~~ *one year* after the assessment
2 is levied pursuant to Section 606. Any appeal from a final
3 judgment in such an action or proceeding shall be
4 perfected within 30 days after the entry of judgment.

5 702. An action to determine the validity of any
6 assessment or bonds pursuant to this chapter may be
7 brought pursuant to Chapter 9 (commencing with
8 Section 860) of Title 10 of Part 2 of the Code of Civil
9 Procedure. In any such action, all findings of fact or
10 conclusions of the board upon all matters shall be
11 conclusive unless the action was instituted within 30 days
12 after the findings or conclusions were made.

13 703. After one or more zones have been created by
14 the authority for the purpose of imposing assessments
15 pursuant to this chapter, the board may, by resolution,
16 provide for the levy of the assessments using the method
17 for apportioning the assessment and for setting the rate
18 of the assessment as set out in the report confirmed
19 pursuant to Section 606. The clerk of the authority shall
20 file a list of all parcels subject to assessments levied
21 pursuant to this chapter and the amount of the assessment
22 or assessments levied against each parcel, with the county
23 auditor on or before August 10 of each tax year. The
24 assessments shall be collected in the same manner as
25 ordinary property taxes are collected and shall be subject
26 to the same penalties and the same procedure and sale in
27 case of delinquency as provided for ad valorem taxes.

28 704. (a) In the event of nonpayment of any
29 assessment levied pursuant to this chapter, and not later
30 than four years after the due date of the last installment
31 of principal, as a cumulative remedy, the amount when
32 due and delinquent may, by order of the board, be
33 collected pursuant to an action brought in the superior
34 court to foreclose the lien.

35 (b) The lien of an assessment levied pursuant to this
36 chapter on tax-deeded land may be foreclosed in the same
37 manner as the foreclosure of other real property. The
38 action shall be brought in the name of the authority.

39 (c) The costs of the action shall be fixed and allowed
40 by the court and shall include reasonable attorney's fees,

1 interest, penalties, and other charges and advances as
2 provided by this chapter. The costs shall be included in
3 the judgment. The amount of penalties, costs, and
4 interest due shall be calculated up to the date of
5 judgment.

6 (d) The court may adjudge and decree a lien against
7 the lot or parcel of land covered by the assessment for the
8 amount of the judgment and may order the premises to
9 be sold on execution as in the sale of other real estate by
10 the process of the court, with the same rights of
11 redemption.

12 (e) The board may, by resolution adopted prior to the
13 issuance of bonds, covenant for the benefit of
14 bondholders to commence and diligently prosecute to
15 completion any foreclosure action regarding delinquent
16 installments of any assessments or reassessments that
17 secure the bonds that are to be issued, or to employ a
18 trustee to do so on behalf of the bondholders.

19

20

Article 3. Bonds

21

22 801. The board may sell bonds or notes of the
23 authority to finance projects as set out in the report
24 confirmed pursuant to Section 606. The board shall
25 authorize the issuance of bonds by adoption of a
26 resolution which provides for all of the following:

27 (a) The denominations, form, and registration
28 provisions of the bonds.

29 (b) The manner of execution of the sale of the bonds.

30 (c) The par amount of the bonds to be sold.

31 (d) The appointment of one or more banks or trust
32 companies within the state having the necessary trust
33 powers as trustee, fiscal agent, paying agent, or bond
34 registrar.

35 (e) The execution of a document or indenture
36 securing the bonds.

37 (f) The pledge or assignment of the designated
38 assessment revenues to the repayment of the bonds.

39 (g) The interest rate to be borne by the bonds.



1 (h) Any other terms and conditions determined to be
2 necessary by the board.

3 802. The bonds shall be signed by the chairperson of
4 the board, and countersigned by the trustee. The bonds
5 may be authenticated by a paying agent selected by the
6 board, and the signatures of the chairperson and trustee
7 may be facsimile signatures. If any officer whose
8 signature appears on the bonds ceases to be an officer at
9 any time, the signature shall nevertheless be valid and
10 sufficient for all purposes.

11 803. The board may sell bonds pursuant to this
12 chapter at public or private sale at not less than 95 percent
13 of par value. The proceeds of the sale of the bonds shall
14 be placed on deposit with the trustee to the credit of the
15 authority and the issuing assessment district, and the
16 proper records of the transaction shall be placed upon the
17 books of the authority. The bond proceeds shall be used
18 exclusively to finance or refinance projects and to pay
19 incidental expenses pursuant to the report confirmed
20 pursuant to Section 606.

21 804. The board may include in the aggregate
22 principal amount of the bonds to be issued an amount for
23 a reserve fund for the payment of the bonds. The amount
24 to be included for the reserve fund shall not exceed the
25 amount permitted by law. The reserve fund and all
26 interest earned on it shall either be used for the payment
27 of debt service on the bonds, if there is a deficiency, and
28 then only to the extent of the deficiency, or the funds may
29 be transferred to the redemption fund for the bonds for
30 advance or final retirement of the bonds.
31 Notwithstanding any provision of this section, the amount
32 and disposition of the reserve fund may conform to the
33 provisions of the Internal Revenue Code or the
34 regulations of the United States Department of the
35 Treasury.

36 805. Any bonds or notes issued pursuant to this
37 chapter may be refunded when and to the extent
38 necessary as determined by the board.

39 SEC. 2. Notwithstanding Section 17610 of the
40 Government Code, if the Commission on State Mandates

1 determines that this act contains costs mandated by the
2 state, reimbursement to local agencies and school
3 districts for those costs shall be made pursuant to Part 7
4 (commencing with Section 17500) of Division 4 of Title
5 2 of the Government Code. If the statewide cost of the
6 claim for reimbursement does not exceed one million
7 dollars (\$1,000,000), reimbursement shall be made from
8 the State Mandates Claims Fund.

9 Notwithstanding Section 17580 of the Government
10 Code, unless otherwise specified, the provisions of this act
11 shall become operative on the same date that the act
12 takes effect pursuant to the California Constitution.

